

Fact Sheet

Strategic sourcing is a disciplined analysis of the purchases, markets, suppliers, and identification of opportunities for savings resulting in new contracts or renegotiation of existing contracts that lower costs and/or adds value while maintaining quality of goods and services. On a simple basis, the process includes an assessment of current spending, market analysis, and a determination of savings opportunities.

Background

The need for strategic sourcing was identified through a review of opportunities for savings and efficiencies within state operations. It is included in the Governor's proposed 2004-05 budget and identifies a target of \$96 million in savings in the next fiscal year. The California Department of General Services responded quickly to support the Governor's vision and is leading the strategic sourcing initiative. Because the approach has been successfully utilized by many private sector organizations and several other states – including Texas, Illinois, Oklahoma, Virginia and New Mexico – the same if not greater success is expected in California as well.

How It Works

The primary benefits of strategic sourcing occur through specific changes to existing purchasing processes for specific categories of goods and services. Some of the key approaches utilized in strategic sourcing may include:

- **Consolidated buying power** – multiple contracts for the same goods or services purchased by multiple state agencies may be combined into one contract to leverage the state's negotiating position.
- **Expanded supplier base** – new vendors have easier access to opportunities for conducting business with the State.

The Timeline

The initiative is currently underway and involves two phases. The first phase involves an assessment of current processes, a review of existing spend data and the selection of opportunities. The second phase involves conducting strategic procurements and the negotiation of contracts for selected product and services categories. Savings are expected as early as fall 2004, with additional savings each year for the following three years.

Who Is Involved?

Strategic sourcing in California is being led by State and Consumer Services Agency Secretary Fred Aguiar, Department of General Services Director Ron Joseph, and DGS Strategic Sourcing Program Director Russ Guarna. They are being advised throughout the process by an executive steering committee of agency representatives. Everyone involved in state procurement will have opportunities for input throughout the process.

For More Information

If you have questions about the strategic sourcing initiative, please send an email to russ.guarna@dgs.ca.gov. Regular updates will be provided.